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# American Banker

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## Today

### CORPORATE FINANCE

**Most chief financial officers** and treasurers do not hedge with futures and options either because they do not know enough about them or because top management does not differentiate between hedging and speculating, according to a study by the Conference Board. 8

**Randall Jenkins,** who left his own small firm to start a private placement unit at First National Bank of Maryland, enjoys the best of both worlds. He has an incentive-based compensation package that is comparable to those on Wall Street and the security of a larger corporation. 8

**Prudential-Bache Securities** has raised $455 million for the Prudential Insurance Company of America in the first securitization of insurance policyholder loans. 9

**Campeau Corp.'s** hostile bid for Federated Department Stores is making life difficult for commercial banks that hope to sell pieces of a refinancing for Campeau's purchase of Allied Stores. 9

**About three-fourths** of last year's asset-backed offerings carried at least partial guarantees from third parties, with the Union Bank of Switzerland leading the field. A survey shows issuers purchased $1.6 billion in guarantees in 1987 from either banks or insurance companies to enhance the credit of 28 asset-backed issues worth $8.7 billion. 17

### INSIDE

**Fourth-quarter earnings** at the 36 superregional bank holding companies declined by almost two-thirds from a year ago. The 23 superregionals in the Southeast and Midwest posted the strongest performances, despite an anemic earnings rise of 4% in both regions. 2

**The Bank Board's** oft delayed plan to salvage savings and loans in the Southwest is scheduled for release this week. The effort likely will involve merging several smaller, unprofitable institutions with bigger, better-managed ones. 3

**International Thomson** Organisation, parent of the *American Banker,* announced the acquisition of Securities Data Co. from Capital Cities/ABC Inc. 6

**Commercial Federal Corp.,** an Omaha-based thrift holding company that is aggressively expanding its interstate network, moved into Oklahoma by acquiring the deposits of the Territory Savings and Loan Association of Seminole from the FSLIC. 23

### KEEPING CURRENT


In the News 3
Executive Changes 16


### Quote/Unquote

***'We developed this, but we may not end up being the biggest player if it does go to the public market, which is cheaper.'***

David Donovan, of Chase Manhattan, on securitizing policy receivables. [Page 1]

### COMMENT

## To Mismatch or Not to Mismatch

By SANFORD ROSE

As noted previously in this column, a bank can be short-funded (liability sensitive) and still profit from rising rates, depending on the relationship between spot rates and the implied forward rates embedded in the yield curve.

Every yield curve contains an implicit forecast of rate changes. If the three-month rate is 5.50% and the six-month rate is 6.00%, then the marketplace is forecasting a three-month rate of 6.50% (more precisely 6.502%) three months hence. A bank that borrows at three months to lend for six months will make money from this mismatch as long as three-month rates don't rise by 100 basis points or more.

Otherwise put, the marketplace is paying the bank 5.50% for the first three months and 6.50% for the second three months. If rates fall or rise by less than 100 basis points, the bank in effect has a three-month asset yielding 6.50% in an environment in which the going rate is less than 6.50%. So the bank has a capital gain; it can sell its three-month asset at more than par.

Comment: Page 4 ➡

## Chase Helps Insurer Fund Growth By Securitizing Policy Receivables

By DAVID NEUSTADT

NEW YORK — Chase Manhattan Bank's $175 million financing for Monarch Capital Corp. — the first securitization of receivables from single-premium variable life insurance policies — began as a discussion about real estate in May 1986.

*Corporate Window*

"We wanted to see if we could help them finance their new headquarters building in Springfield [Mass.]" recalls David Donovan, a managing director in Chase's investment bank.

The Bank of New England got the real estate deal and became a major tenant in the building. But Chase did even better, Mr. Donovan says.

Chase got an assignment from Monarch that resulted in the innovative securitized issue that came to market in December. As a result, Chase has a much stronger relationship with the fast-growing insurance company.

Chase has moved into the leading position in a new market that could total $1 billion in financing. The bank also can point proudly to the creative aspects of the issue to show off its investment banking abilities.

This opportunity came to Chase because Mr. Donovan figured out on the spot a solution for Monarch's most serious problem: financing growth.

The plan was hatched when some of Monarch's top executives came to New York from Springfield to meet with se-

Chase: Page 6 ➡

### RAISING CAPITAL

## Banks Issued $33 Billion in Securities in '87

By KENNETH J. HICKS

NEW YORK — U.S. banking companies issued $33 billion in debt, equity, and asset-backed securities in 1987, according to an *American Banker* survey.

The bulk of the issues were in the form of notes and debentures. Deposit notes, asset sales, and mortgage-backed securities also accounted for significant percentages of total bank issues.

More than half the offerings from thrift institutions came in the form of mortgage-backed securities, while equity offerings made up another significant block.

These are among the findings of the *American Banker's* first annual compilation of top financial services players in the debt/equity markets. Tables in this issue include a breakdown of debt is-

Banks Issued: Page 10 ➡

## S&P Cuts Debt Ratings Of Five Major Banks

By JOHN P. FORDE

NEW YORK — Low equity capital, increased competition, and the nagging Third World debt problem prompted Standard & Poor's Corp. on Monday to downgrade its debt ratings on five large bank holding companies.

Affected were Chase Manhattan Corp., BankAmerica Corp., Chemical New York Corp., Manufacturers Hanover Corp., and First Chicago Corp.

"The debt load of Latin American

Standard & Poor's: Page 23 ➡

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## COMMENT

Continued from Page 1

Conversely, if rates rise by more than 100 basis points, the bank has a three-month 6.50% asset in an environment in which the going rate is above 6.50%. The bank has sustained a capital loss.

What are the chances that rates will rise by 100 basis points or more? Many banks believe that, except in extreme bear markets (rates rising strongly), the likelihood is that future spot rates will not increase as much as implied forward rates predict. The reason is the existence of a liquidity premium.

### Short Is Best

The liquidity premium arises because, regardless of their interest rate outlook, investors prefer shorter-term to longer-term securities. So they bid up the prices of the short obligations and bid down the prices of the long ones. As a result, even if interest rates were expected to remain level, the yield curve would slope upward — long rates higher than short rates.

In other words, proponents of the liquidity premium argue that the shape of the yield curve is determined both by expectations and by the premium. If the market expects rates to rise, the yield curve will slope upward. But the six-month rate will not be just an average of today's three-month rate and the three-month rate expected three months hence. It will be higher than that average by the amount of the liquidity premium.

It follows that, if there is a liquidity premium, the implied forward rate will, on average, overstate the eventual rise in rates. That is, since the six-month rate is higher than it would be because of the premium, the current three-month implied forward must also be higher. And because implied forwards tend to exceed the market's best guess on likely future rates, bankers believe they can usually make money borrowing at a shorter maturity than that at which they lend.

The evidence suggests that the bankers are right. There is a liquidity premium in longer rates. Unfortunately, the value of this intelligence is limited because the data do not support the existence of a liquidity premium in other than the treasury market. Thus, in the great majority of markets in which banks typically operate, there appears to be no special incentive to borrow short and lend longer.

### Hold vs. Roll

New evidence on liquidity premiums comes from Alden Toevs and David Mond, respectively principal and product manager at Morgan Stanley. Messrs. Toevs and Mond employed two complementary techniques to test for the existence of liquidity premiums.

They compared the return from holding a six-month security with that obtained from buying a one-month security and rolling it for a six-month horizon. If the return from the buy-and-hold strategy exceeds the return from the rolling strategy in a great variety of market conditions, then it can be presumed that there is some systematic bias in market pricing — i.e., a maturity or liquidity premium.

Second, the two researchers compared the return from a mismatch strategy of buying a six-month security and then selling it in three months in order to purchase another six-month obligation (analytically equivalent to lending for six months and borrowing for three months) with the return from a straightforward buy-and-hold-for-six-months approach. If there is a liquidity premium, the investor adopting the former strategy should realize higher, if more variable, average returns than he would by simply buying and holding for the full six months.

The Morgan Stanley researchers tested the liquidity-premium hypothesis in trials covering the period from January 1975 to July 1987. In each month from 1975 to the beginning of 1987, they bought a six-month treasury bill and compared the following six-month realized return with that obtained from rolling one-month bills to a six-month horizon. On average, the buy-and-hold strategy outperformed the one-month roll by 87 basis points.

The six-month strategy proved superior to the one-month roll in 124 out of 144 trials. Only during extreme bear markets — principally in 1980 and 1981 — did it pay to abandon the six-month approach and opt for the one-month roll.

Say Messrs. Toevs and Mond: "Although we might have expected the success of the six-month bill strategy in bull markets, its persistent success in all but the most bearish of markets provides strong evidence that the yield on six-month bills is boosted by liquidity premiums."

Next, Morgan Stanley compared the buy-six-sell-three strategy with the simple buy-and-hold approach for the same 1975-87 period. The average return from buy-and-sell exceeded that from merely holding by 31 basis points.

The more active portfolio method was successful in 103 out of 144 trials. This again supports the notion of a liquidity premium and the advantages of mismatching.

But what about the efficacy of mismatching in nontreasury markets? Morgan Stanley did the same analysis for the Eurodollar, commercial paper, and certificate of deposit markets. It found that, in contrast to T-bills, long maturities do not tend to beat a rolling strategy in periods of moderately to strongly rising interest rates.

Although in the case of bills, a six-month buy-and-hold strategy outperformed a one-month roll 77% of the time for most of the 1977-79 period, a comparable approach in the commercial paper market was successful only 15% of the time. The success rate in the Libor market during this period was 18%, while in CDs long maturities outstripped the roll only 35% of the time.

The fact that long maturities beat the roll in T-bills in all but the most bearish markets whereas the opposite is true for commercial paper, CDs, and Libor strongly suggests that there is no pricing bias — i.e., liquidity premium — in the latter group of markets.

A comparison of the return from a mismatching strategy — buy-six-sell-three — with that of maturity matching — buy six and hold — yielded the following results: On average, the returns from mismatching in commercial paper, Libor, and CDs were not measurably greater than those realized from a matched strategy.

Most significantly, however, the variance of these returns was unacceptably large. In commercial paper a mismatching strategy was successful in 71 trials, unsuccessful in 73 trials. In CDs, the mismatch paid off only 61 of 144 times.

### A Failure to Flatten

Why does there appear to be a liquidity premium in bills while no such premium can be found in other money markets? The answer reflects the differential behavior of borrowers and lenders. If long rates are higher than short rates, private borrowers can be expected to minimize costs by shortening the maturity of their paper, thereby raising short rates relative to long ones.

Similarly, since there is apparently an excess demand for short bills and an excess supply of longer ones, the government can also minimize its borrowing costs by offsetting these conditions — that is, issuing more short bills.

Yet it does not do so. Either the government is insensitive to borrowing costs or else it feels that there is some compelling social objective to be achieved by adhering to its present policy of bill issuance.

Some analysts have suggested that shortening the maturity of bill offerings would unnecessarily complicate monetary policy by adding to the stock of money substitutes. So the government may have ample reason not to behave as a cost minimizer. In any event, there seems to be little pressure from the issuing side of the bill market to erase liquidity premiums and thereby flatten the yield curve, whereas there is considerable pressure to do so in private money markets.

Of course, even if private borrowers were not nimble enough to erase liquidity premiums, speculators would unquestionably do the job for them. Observing a liquidity premium in private securities, speculators would promptly employ a buy-six-sell-three strategy, thereby capitalizing the premium and tending to force securities prices into the equilibrium of a pure expectations framework.

### Handicapped Speculators

Unfortunately, such an option is not available in the T-bill market. When investors borrow to finance a speculation in private securities, they need not pay a credit spread greater than received from owning the asset. But in borrowing to fund a T-bill speculation, the investor is disadvantaged. No one borrows at the treasury rate except the Treasury.

The investor must borrow at a somewhat higher rate than that earned from the bill. And the amount of this credit spread will tend to offset the profit from capitalizing the liquidity premium. So while speculators can arbitrage away liquidity premiums in private markets, they cannot do so as readily in bills.

As a result, bankers must live with the fact that the advantages of mismatching are restricted to instruments governed by treasury rates. The same advantages are not present in nontreasury markets, and they tend to be nullified in T-bills themselves by the credit-spread problem.

### Tie Them to Treasuries!

The implications for asset-liability management are clear. The best chance of receiving liquidity-premium-enhanced returns is to link assets and liabilities directly to treasury rates. If a bank finances a six-month asset whose yield is tied to a comparable maturity treasury with a three-month liability similarly tied, it stands a fair chance of making extra profits.

Although it is taking some yield curve risk, the bank is in effect being paid by the marketplace to assume this risk. If rates rise sharply, the bank will lose money on the particular mismatch. But, on average, year-in and year-out, this type of a mismatch will pay off.

Stated in terms of the example used at the beginning of this article, a bank that borrows for three months at a treasury-determined rate of 5.50% in order to lend for six months at a treasury-determined rate of 6.00% is likely to profit most of the time. The reason: The bank's refinancing rate three months hence will probably be less than the 6.50% it is implicitly earning for the second three months.

Suppose, however, that the bank borrows at three months in the CD

Comment: Page 20

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# Banks Issued $33 Billion in Stocks and Bonds

Continued from Page 1

sued in the U.S. by domestic bank holding companies, thrift institutions, and finance companies.

Also in this compilation is a listing of billion-dollar issuers of mortgage-backed securities.

In 1987, financial services companies — including bank holding companies, thrifts, finance companies, and insurance companies — brought a total of $177.7 billion to the credit markets. That accounted for 63% of the $281.9 billion issued by all U.S. companies last year.

More Debt/Equity Tables
Pages 12, 13

Banking companies and their subsidiaries, with $33 billion, accounted for 18.6% of the total financial issues. Of that amount, almost one-third were in the form of notes and debentures with maturities under 10 years. Another $4.3 billion was for notes due in over 10 years.

This particular debt/equity classification may increase further because of new capital guidelines being considered by the Federal Reserve Board. These guidelines essentially divide capital into two categories — common equity and all others.

Robert Baer Jr., a managing director of investment banking at Merrill Lynch Capital Markets, believes that the guidelines — if adopted — might prompt banking companies to issue more subordinated capital notes instead of convertible and preferred stock.

Mr. Baer doesn't expect a sudden and major surge in such issues. "Banks would have a couple of years to phase in the guidelines" he said. However, he pointed out that subordinated capital is a cheaper means of increasing capital and he would expect those notes "to become increasingly attractive."

Another segment of bank issues was deposit notes. Initially, U.S. branches of foreign banks took advantage of these instruments because they didn't have to be reported to the Securities and Exchange Commission. Throughout 1987, "deposit notes became very popular," Mr. Baer said. Banks raised $4.2 billion in deposit notes last year, or 12.7% of their total.

A bank holding company could raise debt at the holding company level and downstream the funds to individual banks. However, this would appear on the holding company's books as debt and decreases its leverage. Since deposit notes are issued by the bank itself, the holding company's leverage is not affected. Further, rating agencies tend to look favorably upon such note issues.

Asset sales, primarily backed by credit card and automobile-loan receivables, accounted for another 10.5% of total banking company debt issuance. Mr. Baer expects banking companies to turn increasingly to asset sales, including the possibility of student and other consumer loan products, as a means of raising funds in the credit markets.

However, Mr. Baer believes that those companies "with low loan growth and highly capitalized- . . . banks that are positioned for growth" may prefer to hold on to these assets. Such companies may even become buyers of other banks' assets.

Mortgage-backed securities made up another significant percentage of bank holding company issuance, as did equity offerings. Citicorp's $3.7 billion of mortgage securities accounted for 75% of the offerings in this category, and its $1.4 billion in equity accounted for 40%. In fact, Citicorp's $7.4 billion of funds raised in the various markets made up 22.4% of all banking issues in 1987.

Manufacturers Hanover Corp., parent of C.I.T. Group Holdings Inc., was a distant second in the markets with $2.5 billion, followed by Security Pacific Corp. at $2.2 billion.

Thrifts entered the quickly growing mortgage securities market heavily in 1987, issuing $7.6 billion, or 55.8% of the $13.7 billion of their total funding. Notes and debentures made up another $1.7 billion and equity issues, $1.4 billion. ■

**Top Issuers Of Debt and Equity**

Among banks and thrifts in 1987 (millions of dollars)

| | Debt |
|---|---|
| Citicorp | $7,393.9 |
| Manufacturers Hanover Corp. | 2,530.5 |
| Security Pacific Corp. | 2,178.6 |
| Chase Manhattan Corp. | 1,925.0 |
| Fincl Corp. of Santa Barbara | 1,675.0 |

[1]Includes all subsidiaries.

**Debt/Equity Issuers**

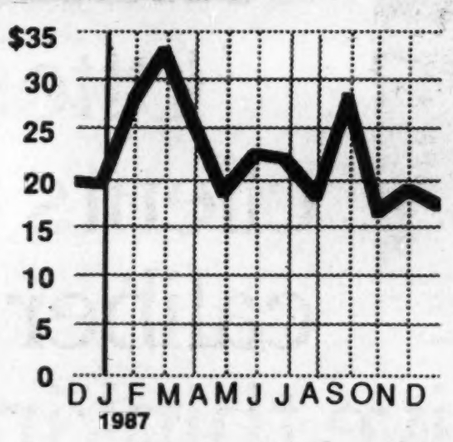
Leading financial services companies during January–December 1987 ($ millions)

| | Yr-to-Date | In Dec. |
|---|---|---|
| First Boston | $11,401.4 | $100.0 |
| Salomon Brothers | 11,151.8 | 328.5 |
| Citicorp | 7,393.4 | 89.0 |
| Merrill Lynch | 7,293.5 | 112.3 |
| General Motors | 4,176.9 | 0 |
| M.D.C. Asset | 4,072.0 | 0 |
| Ford Motor Credit | 4,002.7 | 200.0 |
| Shearson Lehman | 3,762.9 | 0 |
| Goldman, Sachs | 3,714.5 | 0 |
| Morgan Stanley | 3,604.6 | 0 |
| Banks & subs. | 47,209.5 | 3,677.8 |
| Thrifts & subs. | 19,335.7 | 1,276.7 |

Government agencies excluded. Figures include all subsidiaries.

**Debt/Equity Offerings**

Issued by financial services firms, in billions of dollars

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(5.) What **new** statistical survey would you like to see?

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RAISING CAPITAL

# Top Issuers of Mortgage-backed Securities in 1987

Billion dollars or more, dollar amounts in millions

| Company | Dollar amount of MBS issued | Fixed-rate | Floating-rate | CMO | Pass-through | Stripped |
|---|---|---|---|---|---|---|
| First Boston Corp. | $8,519.8 | $4,159.9 | $4,359.9 | $8,447.2 | $72.6 | $956.9 |
| Salomon Brothers Inc. | 8,449.4 | 5,549.0 | 2,092.4 | 6,928.9 | 662.5 | 858.0 |
| Merrill Lynch & Co., Inc. | 5,824.5 | 2,968.7 | 2,855.8 | 5,551.8 | 272.7 | 0 |
| M.D.C. Asset Investors | 3,955.1 | 2,978.9 | 976.2 | 3,955.1 | 0 | 0 |
| Citicorp | 3,680.2 | 3,226.9 | 453.3 | 802.1 | 2,878.1 | 0 |
| Morgan Stanley & Co. Inc. | 3,374.6 | 2,571.4 | 803.2 | 3,250.7 | 0 | 123.9 |
| Kidder, Peabody & Co., Inc. | 3,191.0 | 2,472.3 | 718.7 | 2,721.0 | 170.0 | 300.0 |
| Shearson Lehman Brothers Inc. | 3,150.1 | 2,240.4 | 910.0 | 3,150.4 | 0 | 0 |
| Ryland Acceptance Corp. Four | 2,864.4 | 2,294.3 | 628.1 | 2,806.3 | 0 | 0 |
| Goldman, Sachs & Co. | 2,481.6 | 1,790.3 | 1,091.3 | 2,081.6 | 0 | 0 |
| Drexel Burnham Lambert, Inc. | 2,231.0 | 1,699.2 | 513.8 | 2,213.0 | 0 | 0 |
| Oxford Acceptance Corp. | 1,900.9 | 1,579.9 | 321.0 | 1,900.9 | 0 | 0 |
| American Southwest Financial Corp. | 1,786.5 | 1,414.3 | 372.2 | 1,786.5 | 0 | 0 |
| American Savings & Loan Assn. | 1,492.0 | 1,492.0 | 0 | 0 | 0 | 1,492.0 |
| Bear, Stearns & Co. Inc. | 1,300.0 | 899.0 | 400.6 | 1,100.0 | 0 | 200.0 |

# Foreign Exchange Deals Rise at Largest Banks

Continued from Page 6

over half the regional banks reduced their [foreign exchange] commitments in 1986."

However, calls to numerous regional banks failed to turn up one that had cut foreign exchange activity in the first nine months of 1987. Asked to explain this discrepancy, Mr. Chessen said: "Obviously, there were some that increased. With an average there are variations." Asked for the names of banks that had big reductions in foreign exchange transactions, he responded: "We are really hesitant to release bank-specific information."

Regionals reporting the same or higher volumes of foreign exchange include: NDB Bancorp, Detroit; National City Corp., Cleveland; PNC Financial Corp., Pittsburgh; and First Union Corp., Charlotte, N.C.

Frank Barkocy, a regional bank analyst for Merrill Lynch Capital Markets in New York, was not startled by Mr. Chessen's findings. "Regionals have been deemphasizing the whole international arena," he said. "There's less of a need to be involved in this type of business and more of a continued focus on the fundamental business in their region."

Foreign exchange is an investment-related off-balance-sheet activity, as are interest rate and currency swaps. Credit-related off-balance-sheet items include standby or commercial letters of credit and loan commitments.

Even with less participation by regionals, investment-related off-balance-sheet activity is booming.

Interest rate swap growth "continues to be stellar," Mr. Chessen found. The notional value of interest rate swaps written by U.S. banks increased $236 billion in the first three quarters of 1987, hitting $600 billion as of Sept. 30, 1987. That is up from $367 billion at yearend 1986. (The 1986 total was double the $186 billion racked up in 1985.) ■

RAISING CAPITAL

# Debt/Equity Issued by Thrift Institutions in 1987 [1]

Including all subsidiaries, dollar amounts in millions

| Thrift Institution | Dollar Amount of debt issued | Notes & Debentures 9 mos.-10 yrs. | Notes & Debentures Over 10 yrs. | Asset-backed Credit card | Asset-backed Auto | Asset-backed Other | Mortgage-backed Fixed rate | Mortgage-backed Floating rate | Equity | Other |
|---|---|---|---|---|---|---|---|---|---|---|
| Abraham Lincoln Federal Savings Bank | $7.1 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $7.1 | $0 |
| Alabama Federal Savings & Loan Assn. | 200.0 | 0 | 0 | 0 | 0 | 0 | 200.0 | 0 | 0 | 0 |
| Albuquerque Federal Savings & Loan Assn. | 200.0 | 0 | 0 | 0 | 0 | 0 | 200.0 | 0 | 0 | 0 |
| American Savings & Loan Assn. | 1,492.0 | 0 | 0 | 0 | 0 | 0 | 1,492.0 | 0 | 0 | 0 |
| Anchor Savings Bank FSB | 326.0 | 0 | 0 | 0 | 0 | 0 | 0 | 326.0 | 0 | 0 |
| Anchor Savings & Loan Assn. | 1.6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1.6 | 0 |
| Atlantic Financial Federal | 175.0 | 175.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bell Savings Bank, PaSa | 7.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7.0 |
| Brandywine Savings & Loan Assn. | 3.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3.1 |
| Bristol Savings Bank | 10.0 | 10.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Brooklyn Savings Bank | 2.8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3.1 |
| California Federal Savings & Loan Assn. | 352.6 | 0 | 0 | 0 | 0 | 0 | 0 | 352.6 | 0 | 0 |
| CenTrust Savings Bank | 235.0 | 0 | 0 | 0 | 0 | 0 | 100.0 | 0 | 135.0 | 0 |
| Central Pennsylvania Savings Assn. | 19.5 | 0 | 0 | 0 | 0 | 0 | 19.5 | 0 | 0 | 0 |
| Chevy Chase Savings & Loan Assn. | 70.0 | 0 | 70.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Citizens Federal Savings & Loan Assn. [2] | 450.0 | 100.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CityFed Financial Corp. | 123.7 | 0 | 0 | 0 | 0 | 0 | 81.0 | 42.7 | 0 | 0 |
| City Federal Savings Bank | 375.0 | 0 | 0 | 0 | 0 | 0 | 375.0 | 0 | 0 | 0 |
| Coast Savings Assn. | 52.0 | 0 | 0 | 0 | 0 | 0 | 52.0 | 0 | 0 | 0 |
| Columbia Savings & Loan Assn. | 594.5 | 0 | 0 | 0 | 0 | 0 | 594.5 | 0 | 0 | 0 |
| ComFed Savings Bank | 235.0 | 0 | 0 | 0 | 0 | 0 | 75.0 | 160.0 | 0 | 0 |
| Commonwealth Savings & Loan Assn. | 7.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7.0 | 0 |
| CrediThrift Financial Corp. | 100.0 | 100.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Crestmont Federal Savings | 24.6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 24.6 | 0 |
| CrossLand Savings FSB | 500.0 | 100.0 | 0 | 0 | 0 | 0 | 0 | 0 | 400.0 | 0 |
| Cumberland Federal Savings Bank | 20.6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 20.6 | 0 |
| Dollar-Dry Dock Savings Bank | 65.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 65.0 | 0 |
| Empire of America FSB | 456.0 | 0 | 0 | 0 | 265.0 | 0 | 0 | 0 | 191.0 | 0 |
| Eagle Financial Corp. | 5.8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5.8 | 0 |
| Fidelity Federal Savings & Loan Assn. | 100.0 | 100.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial Corp. of Santa Barbara | 1,675.0 | 0 | 25.0 | 0 | 0 | 0 | 1,219.6 | 430.4 | 0 | 0 |
| First Atlantic Savings & Loan Assn. | 36.8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 36.8 | 0 |
| First Federal Savings & Loan Assn. of Rochester | 50.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 50.0 | 0 |
| First Federal Savings Bank of Charlotte County | 5.8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5.8 | 0 |
| First Federal Savings Bank of Puerto Rico | 85.7 | 50.0 | 0 | 0 | 0 | 0 | 0 | 0 | 35.7 | 0 |
| First Federal Savings & Loan Assn. | 5.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5.3 | 0 |
| First Federal Savings & Loan Assn. of Canton | 7.5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7.5 | 0 |
| First Federal Savings & Loan Assn. of E. Hartford | 6.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6.2 | 0 |
| First Federal Savings & Loan Assn. of Georgetown | 5.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5.0 | 0 |
| First Federal of Western Pennsylvania | 4.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4.1 | 0 |
| First Georgia Savings Bank | 5.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5.0 | 0 |
| First Indiana Federal Savings Bank | 5.0 | 0 | 0 | 0 | 0 | 0 | 5.0 | 0 | 0 | 0 |
| Franklin Savings Assn. | 450.0 | 250.0 | 0 | 0 | 0 | 0 | 200.0 | 0 | 0 | 0 |
| Fulton Federal Savings & Loan Assn. | 15.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15.2 | 0 |
| Great American First Savings Bank | 222.2 | 102.7 | 0 | 110.0 | 0 | 0 | 0 | 0 | 9.5 | 0 |
| Great Western Financial Corp. | 544.7 | 200.0 | 0 | 0 | 0 | 0 | 292.9 | 0 | 51.8 | 0 |
| Home Owners Federal Savings & Loan Assn. | 600.0 | 0 | 0 | 0 | 0 | 600.0 | 0 | 0 | 0 | 0 |
| Imperial Savings Assn. [3] | 1,532.0 | 100.0 | 0 | 100.0 | 0 | 0 | 685.0 | 147.0 | 0 | 0 |
| Leader Federal Savings & Loan Assn. | 406.7 | 0 | 0 | 0 | 0 | 0 | 406.7 | 0 | 0 | 0 |
| Roosevelt Federal Savings & Loan Assn. | 643.3 | 0 | 0 | 0 | 0 | 0 | 600.0 | 0 | 0 | 43.3 |
| Talman Home Federal Savings & Loan | 500.0 | 0 | 0 | 0 | 0 | 0 | 0 | 500.0 | 0 | 0 |
| TransOhio Savings Bank | 75.0 | 0 | 0 | 0 | 0 | 0 | 75.0 | 0 | 0 | 0 |
| United Savings & Loan Assn. | 4.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4.7 | 0 |
| Valley Federal Savings & Loan Assn. | 154.0 | 150.0 | 0 | 0 | 0 | 0 | 0 | 0 | 4.0 | 0 |
| Washington Federal Savings Bank | 1.8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1.8 | 0 |
| Washington Mutual Savings Bank | 40.0 | 0 | 50.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Western Federal Savings & Loan Assn. | 75.0 | 75.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Western Financial Savings Bank | 310.0 | 0 | 75 | 0 | 235.0 | 0 | 0 | 0 | 0 | 0 |
| **TOTALS** | **$13,731.2** | **$1,512.7** | **$220.0** | **$210.0** | **$500.0** | **$1,606.7** | **$5,666.5** | **$1,958.7** | **$1,149.4** | **$13.2** |

[1] — Domestic issues only; [2] — Total includes $350 million of medium-term notes due 9 months and longer from date of issuance; [3] — Total includes $500 million medium-term notes due from 9 months to 15 years from date of issuance.

RAISING CAPITAL

# Debt/Equity Issued by Finance Companies in 1987

Including all subsidiaries, dollar amounts in millions

| Bank Holding Company Subsidiaries | Dollar Amount of debt issued | Notes & Debentures 9 mos.-5 yrs. | Notes & Debentures 6 yrs.-10 yrs. | Notes & Debentures Over 10 yrs. | Asset-backed Credit card | Asset-backed Auto | Asset-backed Other | Mortgage-backed backed | Equity | Other |
|---|---|---|---|---|---|---|---|---|---|---|
| American Express Credit Corp. | $400.0 | $0 | $400.0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Associates Corp. of North America | 750.0 | 750.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Avco Financial Services, Inc. | 100.0 | 100.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Borg Warner Holdings Corp. | 600.0 | 0 | 600.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Chrysler Finance Corp. | 3,433.2 | 1,037.4 | 727.6 | 0 | 0 | 1,518.2 | 0 | 150.0 | 0 | 0 |
| Commercial Credit Co. | 650.0 | 500.0 | 150.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Credithrift Financial Corp. | 100.0 | 0 | 100.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Countrywide Credit Industries, Inc. | 43.1 | 0 | 0 | 0 | 0 | 0 | 0 | 43.1 | 0 | 0 |
| First Home Credit Corp. | 26.0 | 0 | 0 | 26.0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ford Motor Credit Co. | 3,343.1 | 1,930.0 | 1,400.0 | 0 | 0 | 0 | 0 | 13.1 | 0 | 0 |
| General Electric Credit Corp. | 1,401.6 | 700.0 | 300.0 | 0 | 283.1 | 0 | 0 | 118.5 | 0 | 0 |
| General Motors Acceptance Corp. | 3,916.2 | 2,916.2 | 1,000.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Heller Financial, Inc. | 150.0 | 150.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Household Finance Corp. | 959.1 | 500.0 | 459.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| I.B.M. Credit Corp. | 300.0 | 300.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| International Lease Finance Corp. | 100.0 | 50.0 | 0 | 0 | 0 | 0 | 0 | 50.0 | 0 | 0 |
| NACO Finance Corp. | 149.5 | 0 | 149.5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NZI Capital Corp. | 150.0 | 0 | 150.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Nissan Motor Acceptance Corp. | 100.0 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0 | 0 | 0 |
| Pitney Bowes Credit Corp. | 100.0 | 0 | 100.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Southbury Finance | 234.6 | 0 | 0 | 234.6 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tandy Credit Corp. [1] | 200.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Toyota Motor Credit Corp. | 150.0 | 150.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| United States Leasing International, Inc. [2] | 75.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Volkswagen Lease Financial | 150.0 | 150.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Westinghouse Credit Corp. | 50.0 | 50.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Xerox Credit Corp. | 350.0 | 200.0 | 150.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTALS** | **$17,981.4** | **$9,483.6** | **$5,686.2** | **$260.6** | **$283.1** | **$1,518.2** | **$0** | **$474.7** | **$0** | **$0** |

[1] — Total includes $200 million of notes due from 9 months to 30 years from date of issuance; [2] — Total includes $75 million of medium-term notes due from 9 months to 15 years from date of issuance.

RAISING CAPITAL

# Debt/Equity Issued by Banking Companies in 1987

Including all subsidiaries, dollar amounts in millions

| Bank Holding Company | Dollar Amount of debt issued | Notes & Debentures 9 mos.-10 yrs. | Notes & Debentures Over 10 yrs. | Asset-backed Credit card | Asset-backed Auto | Asset-backed Other | Mortgage-backed | Equity | Deposit Notes | Other |
|---|---|---|---|---|---|---|---|---|---|---|
| AmSouth Bancorp. | $100.0 | $0 | $100.0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Ameribanc, Inc. | 15.0 | 15.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| American Express Bank, Ltd. | 300.0 | 200.0 | 100.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| American Fletcher Corp. | 190.0 | 190.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Baltimore Bancorp. | 50.0 | 0 | 50.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| BanPonce Corp. | 136.6 | 60.0 | 0 | 0 | 0 | 76.6 | 0 | 0 | 0 | 0 |
| Banc One | 1,300.0 | 100.0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,200.0 | 0 |
| BankAmerica Corp. | 1,100.0 | 300.0 | 100.0 | 700.0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bank of Boston Corp. | 252.9 | 150.0 | 0 | 0 | 102.9 | 0 | 0 | 0 | 0 | 0 |
| Bank of Delaware | 100.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0 |
| Bank of New England Corp. | 200.0 | 0 | 200.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bank of New York Co., Inc. [1] | 810.6 | 0 | 0 | 0 | 0 | 0 | 0 | 110.6 | 600.0 | 0 |
| Bank South Corp. | 30.0 | 0 | 30.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bankers Trust New York Corp. [2] | 1,197.5 | 400.0 | 0 | 0 | 0 | 0 | 0 | 247.5 | 400.0 | 0 |
| Barclays Plc. [3] | 698.9 | 100.0 | 400.0 | 0 | 0 | 0 | 0 | 198.9 | 0 | 0 |
| Barnett Banks of Florida, Inc. | 200.0 | 0 | 200.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CB&T Financial Corp. | 4.0 | 0 | 0 | 0 | 0 | 0 | 0 | 4.0 | 0 | 0 |
| Century Bancorp., Inc. | 11.4 | 0 | 0 | 0 | 0 | 0 | 0 | 11.4 | 0 | 0 |
| Chase Manhattan Corp. [4] | 1,925.0 | 1,375.0 | 300.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Chemical New York Corp. | 178.0 | 0 | 0 | 0 | 0 | 0 | 178.0 | 0 | 0 | 0 |
| Citicorp | 7,393.9 | 1,400.0 | 800.0 | 0 | 0 | 0 | 3,680.2 | 1,390.0 | 0 | 123.7 |
| Comerica, Inc. | 75.0 | 0 | 75.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Commerce Bancorp., Inc. | 12.0 | 0 | 0 | 0 | 0 | 0 | 0 | 12.0 | 0 | 0 |
| Continental Illinois Corp. | 500.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 500.0 | 0 |
| CoreStates Financial Corp. | 150.0 | 0 | 150.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Crestar Bank | 100.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0 | 0 |
| Dominion BankShares Corp. | 165.0 | 40.0 | 75.0 | 0 | 0 | 0 | 0 | 0 | 50.0 | 0 |
| Eliot Bank | 16.9 | 0 | 0 | 0 | 0 | 0 | 0 | 16.9 | 0 | 0 |
| Equitable Bancorp. | 40.0 | 0 | 0 | 0 | 0 | 0 | 0 | 40.0 | 0 | 0 |
| First of America Bank Corp. | 50.0 | 50.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| First Bancorp. | 7.1 | 0 | 0 | 0 | 0 | 0 | 0 | 7.1 | 0 | 0 |
| First Bank Pennsylvania | 5.3 | 0 | 0 | 0 | 0 | 0 | 0 | 5.3 | 0 | 0 |
| First Bank System, Inc. [5] | 400.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| First Chicago Corp. | 1,400.0 | 200.0 | 100.0 | 800.0 | 0 | 0 | 0 | 300.0 | 0 | 0 |
| First Commercial Bancorp. | 21.8 | 0 | 15.0 | 0 | 0 | 0 | 0 | 6.8 | 0 | 0 |
| First Interstate Bancorp. | 660.0 | 360.0 | 200.0 | 0 | 0 | 0 | 100.0 | 0 | 0 | 0 |
| First Republic Bancorp. | 15.0 | 10.0 | 0 | 0 | 0 | 0 | 0 | 5.0 | 0 | 0 |
| First RepublicBank Corp. | 630.0 | 0 | 100.0 | 200.0 | 230.0 | 0 | 0 | 100.0 | 0 | 0 |
| First Tennessee National Corp. | 75.0 | 0 | 75.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| First Union Corp. | 100.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0 | 0 |
| Fleet Financial Group, Inc. | 225.0 | 225.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Florida National Banks of Florida, Inc. | 75.0 | 0 | 75.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Great Bay Bankshares, Inc. | 9.2 | 0 | 0 | 0 | 0 | 0 | 0 | 9.2 | 0 | 0 |
| Hartford National Corp. | 150.0 | 0 | 150.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| High Point Financial Corp. | 6.0 | 6.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Indian Head Banks, Inc. | 10.0 | 0 | 0 | 0 | 0 | 0 | 0 | 10.0 | 0 | 0 |
| Irving Bank Corp. | 50.0 | 50.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| MBanks | 200.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 200.0 | 0 |
| MNC Financial Corp. | 575.0 | 75.0 | 0 | 500.0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Manufacturers Hanover Corp. [6] | 2,530.5 | 1,754.5 | 150.0 | 0 | 0 | 0 | 0 | 276.0 | 0 | 0 |
| Marine Midland Banks, Inc. [7] | 1,225.1 | 125.0 | 0 | 0 | 600.1 | 0 | 0 | 0 | 0 | 0 |
| Mark Twain Bancshares, Inc. | 15.0 | 0 | 15.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mellon Bank Corp. | 400.0 | 0 | 250.0 | 0 | 0 | 0 | 0 | 0 | 150.0 | 0 |
| Mid-Atlantic Bankcorp. | 10.3 | 5.0 | 0 | 0 | 0 | 0 | 0 | 5.3 | 0 | 0 |
| Midlantic Corp. | 100.0 | 0 | 100.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| J.P. Morgan & Co., Inc. | 700.0 | 450.0 | 0 | 0 | 0 | 0 | 0 | 0 | 250.0 | 0 |
| National Industrial Bancorp. | 1.0 | 0 | 0 | 0 | 0 | 0 | 0 | 1.0 | 0 | 0 |
| Norstar Bancorp., Inc. | 134.9 | 65.0 | 0 | 0 | 0 | 0 | 69.9 | 0 | 0 | 0 |
| Northern Trust Corp. | 135.0 | 75.0 | 0 | 0 | 0 | 0 | 0 | 60.0 | 0 | 0 |
| Norwest Corp. | 550.0 | 300.0 | 100.0 | 0 | 0 | 0 | 0 | 150.0 | 0 | 0 |
| Old National Bancorp. | 50.0 | 0 | 0 | 0 | 0 | 0 | 0 | 50.0 | 0 | 0 |
| Orange National Bancorp. | 3.0 | 0 | 0 | 0 | 0 | 0 | 0 | 3.0 | 0 | 0 |
| Peoples Bank & Trust | 30.0 | 0 | 0 | 0 | 30.0 | 0 | 0 | 0 | 0 | 0 |
| Provident Bankshares Corp. | 33.6 | 0 | 0 | 0 | 0 | 0 | 33.6 | 0 | 0 | 0 |
| Republic New York Corp. | 1,102.1 | 321.1 | 100.0 | 0 | 0 | 0 | 0 | 231.0 | 450.0 | 0 |
| St. Paul Bancorp., Inc. | 118.0 | 0 | 0 | 0 | 0 | 0 | 0 | 118.0 | 0 | 0 |
| Security Pacific Corp. | 2,178.6 | 1,010.6 | 250.0 | 0 | 103.0 | 0 | 815.0 | 0 | 0 | 0 |
| Shawmut Corp. | 100.0 | 100.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Signet Banking Corp. | 275.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 275.0 |
| SouthTrust Corp. | 75.0 | 0 | 75.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Southeast Banking Corp. | 50.0 | 0 | 0 | 0 | 0 | 0 | 0 | 50.0 | 0 | 0 |
| Suffolk Bancorp. | 8.5 | 0 | 0 | 0 | 0 | 0 | 0 | 8.5 | 0 | 0 |
| Summit Bancorp. [8] | 203.5 | 0 | 0 | 0 | 0 | 0 | 0 | 3.5 | 0 | 0 |
| SunTrust Banks, Inc. | 100.0 | 100.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| U.S. Bancorp. | 284.1 | 75.0 | 0 | 0 | 209.1 | 0 | 0 | 0 | 0 | 0 |
| Union Bank | 100.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0 | 0 |
| United Jersey Banks | 60.0 | 0 | 0 | 0 | 0 | 0 | 0 | 60.0 | 0 | 0 |
| United Virginia Bankshares, Inc. | 100.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0 | 0 |
| Valley National Corp. | 100.0 | 100.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Washington Bancorp. | 12.5 | 0 | 0 | 0 | 0 | 0 | 0 | 12.5 | 0 | 0 |
| **TOTALS** | **$32,802.8** | **9,787.2** | **4,335.0** | **2,200** | **1,275.1** | **76.6** | **4,876.7** | **3,503.5** | **4,200.0** | **498.7** |

[1] — Total includes $100 million of medium-term notes due 1 to 15 years from date of issuance; [2] — Total includes $150 million of subordinated Money Market Capital notes, unspecified maturity; [3] — The equity portion are American Depositary Shares; [4] — Total includes $250 of floating rate renewable notes, unspecified maturity; [5] — Total includes $400 million of medium-term notes due from 9 months to 15 years from date of issuance; [6] — Total includes $350 million of medium-term notes due from 9months to 15 years from date of issuance; [7] — Total includes $500 million of global medium-term notes due from 9 months to 15 years from date of issuance; [8] — Total includes $200 million of medium-term notes due from 9 months to 15 years from date of issuance.

# Survey Shows Swiss Bank Leads In Support of Asset-Backed Paper

By ANDREW ALBERT

CORPORATE FINANCE
AN AMERICAN BANKER WEEKLY FEATURE

NEW YORK — About three quarters of last year's asset-backed offerings carried at least partial guarantees from third parties, with Union Bank of Switzerland leading the field.

According to an *Asset Sales Report* survey of credit enhancement in 1987, issuers purchased $1.6 billion in guarantees from either banks or insurance companies to enhance the credit of 28 asset-backed issues worth $8.7 billion. *Asset Sales Report,* published by the *American Banker,* is a weekly newsletter covering securitization.

Last year's offerings that did not include third-party support were generally guaranteed by the issuer — a practice typically followed by General Motors Acceptance Corp. and General Electric Credit Corp.

The third-party support allowed issuers to sell collateralized securities with triple-A or near-triple A ratings, a factor that is largely attributable to the growing popularity of the asset-backed market.

First-place UBS last year provided letters of credit for 11 asset-backed offerings worth $4.6 billion, far more than any other bank or insurer. Financial Security Assurance Inc. fully guaranteed five offerings worth $506.6 million to lock up the No. 2 spot in ranking.

The two triple-A rated companies — notably different in their history and approach — handled more than half of last year's 28 credit enhancement assignments in the asset-backed market.

UBS established its lead position in the industry by pioneering credit enhancement in the asset-backed market. In March 1985, the Swiss bank provided a letter of credit supporting 20% of the first issue of asset-backed paper — a $192.5 million issue backed by Sperry's computer lease receivables.

"We recognized the evolution of the market earlier than most other institutions and have been effective in executing our strategy to become a major factor in the enhancement of the securities," said Peter R. Haidorfer, a UBS vice president specializing in the asset-backed securities market. Prior to the birth of the asset-backed market, UBS had established itself as a guarantor in the commercial paper and industrial revenue bond markets.

UBS' letter of credit business is conducted out of the bank's four U.S. offices.

FSA, on the other hand, opened its doors in March 1984 and has quickly built a name for itself as a provider of 100% surety bonds for corporate debt. The FSA guarantee was employed last year in four auto-backed deals underwritten by Drexel Burnham Lambert Inc. and an issue of asset-backed preferred stock managed by First Boston Corp. — the first preferred issue of its kind.

FSA officials say they expect its deal volume to continue growing steadily in 1988, with a few transactions already in the works. Without the rich history of UBS, FSA has aggressively promoted itself to help win a market foothold.

Credit Suisse also made its mark last year by providing letters of credit in four deals, including a 6% letter of credit to support the year's largest asset-backed offering — a $1.4 billion issue collateralized by GMAC auto receivables. For a September issue of Union Carbide Corp.'s asset-backed preferred stock, the Swiss bank furnished a 100% letter of credit to provide funds for the purchase of trade receivables, if necessary. ■

## Credit Enhancers Ranked

The table below lists those banks or insurers that provided guarantees for asset-backed securities that were publicly offered in 1987. The credit enhancement firms are ranked by the number of issues they guaranteed. (Millions of dollars.)

| | Abbrev. | No. of Issues Guar. | Value of Issues with Guarantees | Amount Guar. |
|---|---|---|---|---|
| Union Bank of Switzerland | UBS | 11 | $4,640.3 | $498.7 |
| Financial Security Assurance | FSA | 5 | 506.6 | 506.6 |
| Credit Suisse | CS | 4 | 2,440.7 | 400.9 |
| Bayerische Vereinsbank | BV | 2 | 402.0 | 38.2 |
| Federal Home Loan Bank of S.F. | FHLBSF | 2 | 210.0 | 37.0 |
| Deutsche Bank | Deut. | 1 | 150.0 | 27.0 |
| Morgan Guaranty | Morgan | 1 | 124.5 | 6.2 |
| Other | (1) | 2 | 183.5 | 41.0 |
| TOTAL | | $28 | $8,657.6 | $1,555.6 |

(1) Banks that provided only part of an issue's guarantee.

Listed below are the 1987 publicly-issued asset-backed securities that were guaranteed, either partially or fully, by third parties. The list includes the issue's principal amount, the amount guaranteed by a third party, and the firm that provided the guarantee. (Millions of dollars.)

| Date | Seller-Servicer | Issue Total | Amt. Guar. | % Guar. | Guar. Provider |
|---|---|---|---|---|---|
| 1/16 | RepublicBank Delaware | $200.0 | $10.0 | 5.0% | UBS |
| 2/24 | Bank of America | 400.0 | 60.0 | 15.0 | UBS |
| 3/19 | Western Financial Savings, Santa Ana, Calif. | 125.0 | 125.0 | 100.0 | FSA |
| 5/28 | RepublicBank Dallas | 230.0 | 27.6 | 12.0 | UBS |
| 6/4 | Marine Midland Automotive Finance Corp. | 600.1 | 48.0 | 8.0 | UBS |
| 6/11 | Chrysler Financial Corp. | 515.9 | 36.1 | 7.0 | CS |
| 6/22 | Bank of America | 300.0 | 30.0 | 10.0 | BV |
| 6/23 | Imperial Savings Association, San Diego | 100.0 | 15.0 | 15.0 | FHLBSF |
| 6/30 | Mack Financial Corp. | 215.2 | 34.4 | 16.0 | UBS |
| 7/16 | Security Pacific Credit Corp. | 103.0 | 10.3 | 10.0 | UBS |
| 7/28 | General Motors Acceptance Corp. | 1,410.8 | 84.0 | 6.0 | CS |
| 7/29 | Western Financial Savings, Santa Ana, Calif. | 110.0 | 110.0 | 100.0 | FSA |
| 8/24 | First National Bank of Boston | 102.0 | 8.2 | 8.0 | BV |
| 9/17 | Mattel Inc. (Preferred stock) | 62.5 | 62.5 | 100.0 | FSA |
| 9/23 | Union Carbide Corp. (Preferred Stock) | 249.0 | 249.0 | 100.0 | CS |
| 9/23 | Great American First Savings, San Diego | 110.0 | 22.0 | 20.0 | FHLBSF |
| 9/29 | First Chicago Corp. | 800.0 | 136.0 | 17.0 | UBS |
| 9/30 | Green Tree Acceptance Corp. | 71.5 | 15.7 | 22.0 | (1) |
| 10/8 | Volkswagen of America | 150.0 | 27.0 | 18.0 | Deut. |
| 10/9 | UST Corp., Boston | 109.1 | 109.1 | 100.0 | FSA |
| 10/13 | General Motors Acceptance Corp. | 142.7 | 8.6 | 6.0 | UBS |
| 10/23 | Empire of America Federal Savings, Buffalo | 265.0 | 31.8 | 12.0 | CS |
| 11/5 | Marine Midland Bank | 449.3 | 38.6 | 8.6 | UBS |
| 11/12 | Chrysler Financial Corp. | 1,000.0 | 75.2 | 7.5 | UBS |
| 11/18 | BMW Credit Corp. | 124.5 | 6.2 | 5.0 | Morgan |
| 11/19 | UST Corp., Boston | 100.0 | 100.0 | 100.0 | FSA |
| 12/9 | MNC Financial Corp., Baltimore | 500.0 | 50.0 | 10.0 | UBS |
| 12/17 | Green Tree Acceptance Corp. | 112.0 | 25.3 | 22.5 | (2) |
| | **Total** | **$8,657.6** | **$1,555.6** | | |

(1) National Australia Bank Ltd. provided a $7.15 million letter of credit and Australia and New Zealand Bank Group Ltd. provided an $8.575 million letter of credit, backed up by Fuji Bank. (2) National Australia Bank Ltd. provided a $5 million letter of credit, Union Bank of Bavaria provided a $10 million letter of credit, and Canadian Imperial Bank of Commerce provided a $10.267 million letter of credit, backed up by Fuji Bank.

Source: Asset Sales Report

## DAILY FINANCIALS

Monday February 1, 1988

### Money Market

**Federal funds range** ..... 6 13/16-6 15/16
**Prime rate** (11/6/87) ..... 8.75%
**Discount rate FRB of New York** (9/4/87) ..... 6.00%

**Call loans on securities, to brokers on stock exchange collateral** ..... 8.00%

**Bankers acceptances offering rate, discount** (2/1)
30 days: 6.50 60 days: 6.50 90 days: 6.48
120 days: 6.48 180 days: 7.47

**Certificates of deposit, highest offering rate, at New York City banks** (2/1)
14 days: 6.20 30 days: 6.25 60 days: 6.30
90 days: 6.30 120 days: 6.35 150 days: 6.35
180 days: 6.35 270 days: 6.55 360 days: 6.65

**Commercial paper, dealer Aaa, discount** (2/1)
30 days: 6.70 60 days: 6.65 90 days: 6.60

**Commercial paper, directly placed, discount** (2/1)
5-14 days: 6.25-6.60 15-29 days: 6.55-6.60
30-59 days: 6.45-6.60 60-89 days: 6.30-6.45
90-179 days: 6.30-6.30 180-270 days: 6.30-6.30

**Treasury-bill rates, secondary market, bid** (2/1
90 days: 5.65 180 days: 6.06 1 year: 6.25

**Eurodollar deposits, London bid** (2/1)
Overnight: 6 11/16 7 days: 6⅝ 1 month: 6 11/16
3 mos.: 6 13/16 6 mos.: 6⅞ 1 year: 7 3/16

**NIBOR:** N.A. **LIBOR:** N.A.

### The Bond Buyer Municipal Bond Index

| | 2/1/88 | 1/29/88 | 1/25/88 |
|---|---|---|---|
| Index | 91.18 | 91.16 | 90.22 |
| Yield to Par Call | 7.99 | 8.03 | 8.15 |
| Yield to Maturity | 7.92 | 7.97 | 8.05 |

The Bond Buyer Municipal Bond Index was designed by the Chicago Board of Trade as the basis for long-term municipal bond futures contracts. It is an average obtained when the price of 40 select term bonds is divided by the amount at which each bond would be priced to yield 8%. The Index is computed daily and quoted in points and 32nds.

### Futures Markets

**3-Month Treasury-Bill Futures (IMM)***

| Delivery | High | Low | Settle | Chg(a) | Yld(b) |
|---|---|---|---|---|---|
| Mar. '88 | 94.43 | 94.30 | 94.31 | - 4 | 5.69 |
| June '88 | 94.25 | 94.13 | 94.14 | - 4 | 5.86 |
| Sept.'88 | 93.98 | 93.85 | 93.87 | - 5 | 6.13 |
| Dec. '88 | 93.70 | 93.56 | 93.58 | - 6 | 6.42 |
| Mar. '89 | 93.48 | 93.33 | 93.33 | - 8 | 6.67 |
| Jun. '89 | 93.28 | 93.11 | 93.11 | -10 | 6.89 |

As of the previous day's close; Total no. of contracts traded: 4,692 total open interest: 23,239 and change in open interest:+373

**Footnotes to Futures Tables:**
*For 3-month Treasury bills with a face value at maturity of $1 million. a–Change from previous day's settlement price in basis points. b–100.00 minus settlement price. IMM–Traded on the International Monetary Market, a division of the Chicago Mercantile Exchange. r–New record high in open interest.

### American Banker Index

**Selected Money Center Bank Stocks***

| | | | High | Low | Last |
|---|---|---|---|---|---|
| Feb. 1: | 244.2 | 1988: | 248.8 | 227.7 | 244.2 |
| Jan. 29: | 242.7 | 1987: | 401.7 | 212.0 | 234.6 |
| Jan. 28: | 237.1 | 1986: | 388.7 | 331.2 | 331.3 |
| Jan. 27: | 234.7 | 1985: | 344.2 | 242.7 | 344.2 |
| Jan. 26: | 224.7 | 1984: | 269.6 | 178.4 | 246.3 |

* Based on midday prices.

## Jersey Gives Approval To Constitution Bank

TRENTON, N.J. — New Jersey Banking Commissioner Mary Little Parell approved the charter application of Constitution Bank, which is in Cranbury, a fast-growing community in Middlesex County. This is the first bank charter to be approved in New Jersey this year.

The bank, to be capitalized at $5 million, would be the first home-based commercial bank in the Cranbury trade area, where the population rose 90% between 1970 and 1980, and household population was estimated to have grown an additional 40% between 1980 and 1985.

Charter approval is subject to raising the capital, receipt of FDIC insurance, and an agreement not to merge or consolidate with another banking institution for five years. ■


*Allied Bancshares, Inc.*

*has merged with*

*First Interstate Bancorp*

*The undersigned initiated this transaction and acted as financial advisor to Allied Bancshares, Inc.*

*MONTGOMERY SECURITIES*

*January 29, 1988*